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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 003171

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SUBJECT: PRC/NEPAL: BEIJING SEES EARLY ELECTION DATE AS
VITAL, SEEKS CONTINUED COOPERATION WITH UNITED STATES

Classified By: Political External Unit Chief Edgard Kagan. Reasons 1.4
(b/d).

Summary

1. (C) The Government of Nepal needs to set a date for the constituent assembly elections as soon as possible, according to MFA Asia Department Director for India, Nepal and Sri Lanka Huang Xilian. The postponement of the elections could reignite political differences between the "eight parties." The Maoists want to merge into the political mainstream and are changing their coercive tactics. Beijing has not changed its "no official" contact policy with the Maoists. However, "unofficial, personal contacts" between Chinese Embassy personnel and the lower-ranking Maoists are taking place. Beijing remains concerned about Prime Minister Koirala's health. China is ready to provide bilateral assistance to Nepal. China highly values its close contact with the United States on Nepal and is ready to keep in close communication as events unfold. End Summary.

Nepal Needs to Set a Date for the Election

2. (C) Recent progress in the Nepal peace process demonstrates the political willingness of all parties, including the Maoists, to achieve a stable government, stated MFA Asia Department Director for India, Nepal and Sri Lanka Huang Xilian during a May 9 meeting with Poloffs. He cautioned, however, that current progress with the Maoists has not resolved the underlying differences between the Maoists and the political parties and the delay in the constituent assembly election reflects the disagreements that still exist. The postponement of the election could reignite the simmering tensions between the political parties and the Maoists, according to Huang, which could be "beneficial for some parties and disastrous for other," Huang said. The Maoists claim to have the support of the people but they are afraid the constituent assembly election results will not bare that out. The interim government needs to set a date for the election as soon as possible, he asserted.

Maoists Changing Their Political Tactics

3. (C) The Maoists are "clever and know how to command the situation," Huang said. Beijing believes that the Maoists want to merge into the political mainstream and are taking some steps to change their coercive tactics. In an interview

with official Chinese journalists, Maoist leader Prachanda claimed that the Maoists are "giving up their life of struggle." Huang said that Beijing has interpreted this to mean that the Maoists are confident that they can gain or win something by participating in the constituent elections.

No Change to "No Official" Contact Policy

14. (C) Beijing's policy of "no-official" contact with the Maoists has not changed yet, Huang stated, adding that Beijing is watching the situation closely. Members of China's Embassy in Nepal have informal contacts with Maoists now serving in the interim government. These contacts are personal, Huang emphasized, and at the counselor level and below.

Concerns for PM Koirala's Health

15. (C) Huang stated that Beijing is still concerned about the state of Prime Minister Koirala's health particularly since he plays a crucial role in the peace process. Huang noted that during the April South Asian Association for Regional Cooperation Summit that Koirala seemed healthy when he entered the meeting venue but had to leave after roughly twenty minutes and appeared not to be "in a very good condition." Huang also said that as Koirala read a prepared speech at the Summit, he lost his place in the text and could not find it again and so began to speak extemporaneously.

Ready to Provide Bilateral Economic Assistance

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16. (C) Beijing adheres to its principle of non-interference in domestic affairs in dealing with Nepal but has made statements to encourage all parties to carry forward the peace process, Huang said. Stability in Nepal is very important to China because of the long common border. China is prepared to provide bilateral assistance to Nepal, particularly to support economic development but at this point, according to Huang, economic development is not "high on the agenda." China has nominated an individual from the Ministry of Foreign Affairs to serve as a political observer for the United Nations and is awaiting notification from the UN to deploy said person.

Values Close Cooperation with United States

17. (C) China values the close contact it has had with the United States and is ready to keep in close communication as events unfold. Huang stated that China's new ambassador to Nepal Zheng Xianglin made meeting the United States' Ambassador one of his top priorities when arriving in Nepal.
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